



M E K E T A I N V E S T M E N T G R O U P

B O S T O N

M I A M I

S A N D I E G O

July 28, 2011

Dr. George Diehr
Chair, Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

**RE: DELEGATION RESOLUTION FOR REAL ASSETS AND REVISIONS
RELATED TO THE INFRASTRUCTURE PROGRAM**

Dear Dr. Diehr:

As Infrastructure Consultant to the Board, Meketa Investment Group was asked to review and comment on the amended Delegation Resolution for the Real Assets Program related to the Infrastructure Program.

The Delegation Resolution for Real Assets was approved by the Investment Committee in May 2011. Since then, Staff has proposed revisions to the Infrastructure Program attachment to the Real Assets Policy, which will be presented to the Investment Committee in August for approval. If approved, the Delegation will require changes to conform to the Infrastructure Program attachment. Staff is requesting concurrent Investment Committee approval of these two documents.

Meketa Investment Group recommends that the Investment Committee accept Staff's recommendation to adopt the amended Delegation Resolution. In general, the changes are designed to bring it in line with the proposed Infrastructure Program Attachment of the Real Assets Policy.


The purpose of the amendments to the percentage and dollar thresholds over which the CIO and SIO have Delegated Authority is to bring these thresholds in line with the levels existing prior to the increase in the target allocation to infrastructure (from 1.5% to 2.0%, following the 2010 Asset Allocation review), and to simplify the overall framework. While the amendments have resulted in an increase in the Annual Delegation Limits for certain strategies, we feel that they are reasonable and in line with CalPERS' decision to increase its target allocation to the asset class.

July 28, 2011
Page 2 of 2

In addition, the amended Delegation Resolution includes a new provision to permit hedging of foreign currency exposure for the value of investments (including principal and distributions), and of short-term interest rates for periods between investment commitment and closing dates. Hedging authority is also addressed in the Infrastructure Program Attachment. The authority to hedge for purposes of risk mitigation is prudent and reasonable.

Please do not hesitate to contact us with any questions or comments.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Stephen P. McCourt', with a long, sweeping horizontal stroke extending to the right.

Stephen P. McCourt
Managing Principal

A handwritten signature in dark ink, appearing to read 'David Altshuler', with a stylized, somewhat abstract shape.

David Altshuler
Senior Vice President